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Neo-liberal Modes of Participation in Frontier Settings: Mining, Multilateral Meddling, and Politics in Laos†

PASCALE HATCHER

Ritsumeikan University, Kyoto, Japan

ABSTRACT *After decades promoting highly liberalised mining codes, the World Bank Group has now positioned poverty reduction and environmental sustainability as the fundamental objectives of its involvement in the sector. Within this new approach, local participation occupies a central position, whereby a loosely defined mix of local associations, as well as residents of local communities affected by mining activities, is to have a voice in every stage of a given mining project. Building on the case of Laos, this article investigates both the participatory model promoted by the World Bank and the politics of the model's implementation. The analysis suggests that the involvement of local communities is ensconced within a framework which conceives participatory schemes as a management tool to, first and foremost, circumscribe the risks faced by mining investors. While this represents a clear attempt to mitigate political risk in order to facilitate the larger project of building new liberal markets, it further raises questions linked to the remodelling of political notions of empowerment and representation.*

Keywords: Laos (Lao PDR), mining, neo-liberalism, participation, World Bank Group

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The abundance of natural resources of Lao People's Democratic Republic (hereafter 'Laos') has, in recent years, become the mantle upon which the Laos government has promised much-needed employment, education, health care, clean water, and infrastructure. Alongside the multiplication of dams rapidly being erected upon its rivers, the aspiring 'battery of Southeast Asia' has also been resolutely eyeing its hitherto largely untapped mining sector for the prospective

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Correspondence Addresses: Pascale Hatcher, College of International Relations, Ritsumeikan University, 56-1 Toji-in Kitamachi, Kita-ku, Kyoto 603-8577, Japan. Emails: pascalelaura@yahoo.ca; hatcher@fc.ritsumei.ac.jp

contributions it can make to burgeoning growth. If for decades Laos was one of the poorest countries in the region, it now boasts steady economic growth and appears determined to shed its 'Least Developed Country' (LDC) status by 2020. Not surprisingly, international organisations who, until recently, were the lifeline of the country, are cheering such fast pace developments vociferously and supporting the clamour over the exploitation of the country's resources.

In this regard, this article investigates the particular role played by the World Bank Group (WBG) in fostering the country's rapidly emerging large-scale mining sector. Of particular interest is the recent addition of a strong social-development narrative attached to multilateral guidelines promoted by the WBG. This novel approach, here referred to as the 'social-development model' (SDM), is a narrative emphasising poverty reduction as a central objective of the Bank's actions within the sector, as well as social and environmental concerns. Within this new approach, and evoking a progressive air that contrasts significantly with issues that have notoriously plagued resource exploitation in the underdeveloped world, local participation is supposed to occupy a centre stage, with a loosely defined mix of local associations, as well as residents of local communities affected by mining activities, to have a voice in each stage of a given mining project. Echoing the WBG's framework, Vientiane has quickly twinned pro-mining investment incentives with a pro-poor and environmentally sustainable narrative, suggesting that the implementation of WBG policy to combat often egregious problems in the mining sector is more than just multilateral wishful thinking. However, as with many situations involving underdeveloped locales and new patterns of growth in countries now frequently described as 'frontier markets', the reality is complicated (see Carroll & Jarvis, 2015). In particular, the promotion of new mining regimes ostensibly designed to tackle problems of the past *and promote growth* has rapidly revealed tensions broadly relating to existing patterns of governance and newly emboldened revenue flows. Moreover, despite the call for increasing levels of participation in mining sector operations in underdeveloped countries, emerging evidence suggests that local people remain disproportionately affected in a negative sense and that the role of organisations within what might be broadly described as 'civil society' is far from a panacea to address this, especially in environments where political participation is traditionally heavily circumscribed.

In this article, the dual provisions of the mining regime promoted by the WBG are viewed as a particular strategy employed by pro-market interests to both contain and manage opposition to mining activities. While the new model stems from serious consideration of the socio-environmental legacy of mining activities and the need for the involvement of local communities, the implementation process of the Laotian mining regime stands as testimony to difficulties in realising idealised liberal regulation in underdeveloped and authoritarian environments. Importantly, the case of mining in Laos serves as a clear example of the larger discussion over civil society's increasingly functionalist role (as demarcated by organisations such as the World Bank) in the broader project of building new liberal markets in Asia (see Carroll & Jarvis, 2014, 2015; Hatcher, 2014). While this represents a clear attempt to mitigate political risk in order to facilitate capital accumulation, it further raises questions linked to the remodelling of political notions of empowerment and representation, and indeed the promotion and implementation of a form of mining governance that is enabling and abetting highly problematic outcomes.

The paper is divided into five parts. The first section describes the role of the WBG in promoting large-scale mining activities, delineating the various incarnations of mining regimes and their travails. The second section presents an overview of mining in Laos and its recent fast pace development, segueing into a third section that describes the influential roles played by the WBG in enabling such development. The fourth section explicitly teases out the numerous components of what I describe as the 'SDM' enshrined within Laos' mining regime. With two of the country's largest natural resource projects in the foreground (Sepon and the Nam Theun II (NT2)), the final section deals with the alarming disparities between the SDM's narrative and experiences on the ground. The analysis focuses on how the involvement of local communities translates into a renewed emphasis on sociopolitical risk management for capital and multilateral institutions rather than an opening of political space, an issue particularly acute in Laos, for people impacted by mining activities and extant patterns of governance.

Growing a Socio-environmental Conscience: The Rise of the SDM

The overarching involvement of the World Bank[1] in the liberalisation and deregulation of the mining sector is of course by no means limited to Laos.[2] The *Extractive Industries Review* (EIR), which was established in 2001 to independently evaluate the WBG's involvement in extractive industries, estimated that under the leadership of the Bank, no less than 100 countries reformed their laws, policies, and institutions during the 1990s (2003b, p. 10). To understand such involvement, the work of Campbell (2004) is instructive. In her extensive analysis of the World Bank's influence over African mining regimes, Campbell catalogued three generations of mining codes, which essentially followed the Bank's evolving guidelines over the better part of the last three decades. The first wave of reform, which was carried out under the umbrella of the structural adjustment programmes of the World Bank and International Monetary Fund (IMF) in the 1980s, saw a dramatic retreat of the state from the sector. Oblivious to the decline in the demand for mineral resources in the 1980s, the Bank's reassessment of the sector led to a new wave in the liberalisation of mining regimes which extended well into the 1990s. However, the turn of the century was not kind to the Bank's historical involvement in large-scale projects. The highly publicised environmental damage and the multiplication of reported cases of human rights abuses linked to Bank-sponsored projects were a painful thorn in the institution's image.[3] While the Bank did acknowledge that a certain degree of regulation was necessary, notably in terms of environmental protection, it is only within the past decade that the ultimate need for the state to play a regulatory role was acknowledged and instantiated in a 'third generation' of mining codes (Campbell, 2004).[4]

The EIR found that while extractive industries can yield benefits for countries, data suggest that developing countries with few natural resources grew two to three times faster than resource-rich countries from 1960 to 2000 (2003b, p. 12). Furthermore, the Review observed that the majority of the 45 countries that did not manage to sustain economic growth during that time also experienced violent conflict and civil strife in the 1990s (2003b, p. 12). As such, the multiplication of socio-environmental problems linked to extractive activities, notwithstanding the ambiguous economic benefits of the industry, led to highly critical literature suggesting that the actual benefits of the mining industry may have been overstated.[5] In acknowledging the impact of mining on development, the WBG itself fell into line with this analysis: 'resource-rich countries are indeed more likely to have problems achieving important development goals', states the Bank in a recent evaluation of its experience in the extractive sector (Operations Evaluation Group, 2005, p. 120).

It is in light of the extent of the social and environmental problems linked to the extractive industry that the then World Bank President, James Wolfensohn, ordered a two-year moratorium in 2001 on the WBG's mining investments and a review of its involvement in the industry. While the EIR, which emerged from this process, did conclude that there was still a role for the Group in the sector, it underlined that such a role should be strictly limited to one of contributing to sustainable development (EIR, 2003b, p. 4).

In its official response to the EIR (in 2004), the Bank declared: 'Our future investments in extractive industries will be selective, with greater focus on the needs of poor people, and a stronger emphasis on good governance and on promoting environmentally and socially sustainable development' (World Bank, 2004, p. iii).[6] While the Bank acknowledged that extractive industries may 'aggravate or cause serious environmental, health, and social problems, including conflict and war' (World Bank, 2005, p. 1), it, however, remains adamant that such negative impacts are not inevitable. Subsequently, wanting to maintain a presence in the sector while attending to the recognised risks, the Bank substituted its conventional policy recommendation framework for one that promoted far stricter socio-environmental standards, notably, participatory mechanisms for local communities. The ensuing birth of what is here referred to as the 'SDM' echoed throughout the mining industry and within regulatory regimes across the Global South and, as discussed further in the following section, to Lao PDR as well.

The SDM is here understood as a narrative emphasising poverty reduction as a central objective of the Bank's actions within the sector, as well as social and environmental concerns. However, beyond its narrative, the SDM should be viewed as a particular management tool to tackle local opposition to mining projects, therefore curtailing investment risks. It is to be emphasised that this shift closely imbricates itself within the wider shift at the Bank under Wolfensohn's presidency, a shift which echoed throughout the international aid architecture.[7] The latter has been studied extensively, mostly under the umbrella of the 'post-Washington Consensus'.[8]

Today, the WBG is the unchallenged global leader in both the design and the promotion of socio-environmental practices in the mining sector. Such influential work appears to be viewed by the Bank as 'neutral' advice that manages to bridge communities' needs not only with corporate profit-driven behaviour, but also with governments' zeal for fast-paced development. In the words of the Bank:

> The impact of mines on local communities has been an area of growing concern and attention, and one that mining companies, NGOs and governments are grappling with. The World Bank has used its *convening power* and *neutral* position to bring together a number of different agencies to pursue discussion in this area, share experiences and enable diverse agencies to work more cooperatively together, with the view to resolving some of the problems affecting this area. The convening of conferences, meetings, analytical research and the dissemination of good practice are among the number of ways in which the Mining Department has been working to gain a better understanding of these issues, develop mechanisms for resolution and propagate good practice. (Our emphasis, World Bank, 2010d)

In line with this self-assigned role, the World Bank has assumed leadership over key socio-environmental mining research. It is illustrative to note that the Bank's Mining Department website lists a wide range of key issues, notably AIDs and Mining; Mine Closure; Mining and Community; Mining and the Environment; Mining and Local Development; and Mining and Poverty Reduction. Crucially, it should also be emphasised that the WBG, most notably the IFC, has been pioneering various global guidelines and safeguards on mining-related issues.[9]

By following the development of Laos' mining regime from the particular perspective of the WBG, this article sheds light on the highly political, formal and informal, multi-front roles played by the institution in the overarching promotion of the SDM as the main strategy for the development of Laos' mining sector. The case is illustrative of how these plural roles are performed by the WBG and how they have alternated from more direct roles such as investor and lander, to more indirect yet crucially influential, meddling roles as sponsoring mining conferences.

The Promises of a Sector: Mining in Laos PDR

Laos' dire social indicators have long positioned the landlocked country as one of Asia's poorest countries. By the end of the 1990s, almost 40% of this LDC's population was still living in poverty (World Bank, 2010b, p. 14) and, as observed by a WBG fact-finding mission, its social indicators were far closer to those of Sub-Saharan Africa than other Asian countries (Boland & Walker, 2001, p. 4). However, short of the last decade, Laos has radically transformed its economy, resolutely turning to its impressive abundance of natural resources. Notwithstanding its hydropower potential, Laos, somewhat strikingly, is one of Asia's most resource-rich countries, with more than 570 mineral deposits identified so far.

Pressed between Myanmar, Cambodia, Vietnam, and, more importantly, resource-hungry China, Laos has high hopes for the sector. The potential attached to the large-scale development its natural riches have led to the multiplication of social and economic promises. Today's goal is bold: to become a middle-income country by 2020.[10] The World Bank estimates that Laos will require a steady average growth of 7.5% for this to occur (2010b, p. 10). Thanks to the rapid development of the mining and hydropower sectors, the country appears to be well underway on this front—both sectors have contributed 2.5% of the annual 7% growth witnessed by the country in 2007–2009 (World Bank, 2010b, p. 1) and more recently, 8%. According to the World Bank, these figures are expected to persist in the medium and long term (2012–2020), with a predicted growth of 7.5% per year until 2015 (2012, p. 10).

While in the early 1990s mining activities were 'virtually negligible' (United States Geological Survey [USGS], 1994, p. 491), by the end of the same decade the sector was identified as 'one of the most promising long-term growth areas' (USGS, 1999, p. 13.1). Contrary to many of its neighbour countries which have a rich history of industrial mining, Laos' ventures only truly began in 2003, making it one of Asia's 'final frontiers for miners' (CLC Asia, 2009).[11] The country's industrial mining production value has increased nearly a 100-fold observes a World Bank background report, from around US$8 million in 2002 to US$600–700 million in 2007 and 2008 (Larsen, 2010, p. 4). However, it should be noted that these numbers are a poor indication of the potential offered by the country's natural resources as only 10% of the 200 proposed mining and hydro projects are currently in operation (World Bank, 2010b, p. 1). The World Bank projects that the cumulative revenues of the mining sector alone will total $2 billion by 2025 (cited in United Nations [UN], 2010, p. 33).

Since Laos remains highly dependent on foreign aid—and with the country's external debt totalling 54.5% of its gross domestic product (GDP) (International Council on Mining and Metals [ICMM], 2011, p. 59)—the natural resource sectors (mining and power) have become a much-welcomed source of government revenue. The International Council on Mining and Metals (ICMM) notes that the country's foreign debt is significant enough 'to worry the World Bank and the IMF who believe that there is a high risk of debt distress' (2011, p. 17).

Together, the resource sectors account for 20% of the government's total fiscal revenues, as well as most of the country's foreign direct investment (FDI) inflows—about 80% in 2008 (World Bank, 2010b, p. 1, 2010c, p. 7). However, it is the mining sector that now dominates the country's exports with approximately 50% of all exports.

To contextualise the increased prominence of the resource sector in Laos' economy, it is telling to note that while the mining and quarrying sectors only contributed to 1% of the country's GDP in 2001 (Boland & Walker, 2001, p. i), they now contribute 18% (Boungnaphalom, 2010).[12] According to the United States Geological Survey (USGS), in 2010 alone, Laos' production of tin, copper concentrate, silver, and gold increased by 46%, 26%, 7.2%, and 0.6%, respectively, compared with that in 2009 (2012, p. 16.1). Crucially, the revenues flowing from royalties and taxes from mining projects now account for the sharp decline in the government's budget deficit—from 7.58% during 1995–2000 to 6.29% during 2000–2006 (Kyophilavong, 2010, p. 75). By 2009, mineral taxes were contributing to 12% of total government revenues (ICMM, 2011, p. 10). Together, the country's two largest mines—Sepon and Phu Kham—make up for over 90% of total national mining production (ICMM, 2011, p. 17). The recent opening of these mines marked 'a new era of scale and efficiency for the Lao mining sector', comments the UN (2010, p. 32).

The Sepon mine is operated by Lane Xang Minerals Limited (LXML),[13] which is controlled by Minerals and Metals Group (90%) and the Lao government (10%).[14] Gold production at Sepon commenced in 2002 and copper production in early 2005. Today, the mine accounts for about 50% of the country's total exports (UN, 2010, p. 36). The government exercised its right to take a 10% share in the mine only in 2009.

Phu Bia Mining Limited, which is controlled by its parent company Australia's PanAust Limited (with a share of 90%[15] and the Lao government receiving the other 10%), operates the Phu Bia gold mine (since 2005) and the adjacent but much larger Phu Kham copper–gold mine (the latter commencing production in 2008). Additionally, not only did Phu Bia Mining Limited start operations at the Ban Houayxai Gold-Silver Operation (about 25 km from Phu Kham) in 2012, but it also announced the discovery of copper and gold ore in the Xieng Khuang province, which is expected to yield six to seven million tonnes of ore ('Phu Bia strikes gold', 2012).[16]

In addition to these flagship mines in Laos, there are several other projects in the works. Explorations of the bauxite deposits in the Bolavens Plateau suggest that the region might contain some of the largest undeveloped bauxite deposits in the world (UN, 2010, p. 34). A greenfield bauxite exploration project covering 484 km was established in 2009, less than 500 km away from the Chinese border[17] and its insatiable appetite for the material. Since 2010, Rio Tinto and Mitsui's Lao Sanxai Minerals Co. Ltd also have a stake in a bauxite project covering 484 km^2 in the Sanxai District.

The World Bank and the Promotion of Large-Scale Mining in Laos

'Today', observe Guttal and Shoemaker, 'the World Bank is the most powerful policy institution in the Lao PDR' (2004, p. 1). Echoing this claim, the Group has been key in advancing Laos' recent 'resource-boom'. As stated by a Bank official in Vientiane, the multilateral organisation has been busy assisting the government not only with its new Mining Law and its implementing regulations, but also with its broader regulatory framework as well (World Bank, personal communication, February 16, 2011). The direct and indirect roles of the multilateral institution in shifting the country's economy towards the exploitation of its natural resources are tackled in this section.

If the country officially remains socialist, Vientiane has been courting foreign investors since the mid-1980s, as it started opening up to the market-oriented economy. The series of reforms that were to be implemented in the decade that followed were crucial to the success of the country's current natural resource boom. In 1986, it introduced the 'New Economic Mechanism (NEM)', which put an end to central planning and opened the economy to trade and investments.[18] In 1989, the World Bank and the IMF stepped in with additional reforms ranging from the expansion of fiscal and monetary reforms, the strengthening of the banking system, and the promotion of private enterprise and foreign investment, to the privatisation or shutting down of non-performing state-owned enterprises (UN, 2010, p. 8). Additionally, the Lao government agreed to maintain a flexible exchange rate, reduce tariffs, and eliminate what were perceived as superfluous trade regulations (UN, 2010, p. 8). In 1991, Vientiane adopted a new constitution which notably formalised the market-oriented economy.

By the end of the 1990s, the Lao government had liberalised the foreign investment law, allowing 100% foreign ownership of enterprises. According to the USGS, by the end of the same decade, the country's foreign investment policies were 'the most "investor-friendly" in the region' (1997, p. 1). Today, the country is officially a full member of the World Trade Organization (since 2 February 2013), and although in practice this appears to be disputed, the 2009 Law on Investment Promotion vows to give equal treatment and incentives to foreign and local investors alike.

Building on these shifts in the 1990s, the government started to turn its attention towards large-scale mining. The ensuing 1997 Mining Law[19] and its Implementing Decree, which were approved in October 2002, triggered a substantial expansion of the sector. Noticeably, the fiscal regime remains quite open, as issues such as tax rates and royalties are to be negotiated in each of the Mineral Exploration and Production Agreements. Despite such a lack of clearly defined rates, the Department of Geology and Mines (2006) affirmed that the negotiation norm appeared to be around 20–35% for privileged income tax rates with a 10% tax levy on dividend and retained earnings, while royalty rates would vary from 3% to 5%.[20]

It is illustrative to note that Sepon benefited from generous subsidies right from the start. For the first two years, Australia's Oxiana Resources (together with Rio Tinto, which held a 20% interest), as the original owner of the mine, was to be exempt from corporate taxes and their employees exempt from income taxes. For the subsequent two years, corporate taxes were to be paid but only at half the usual rate. Furthermore, there were no taxes or restraints on the repatriation of money from the project and the government waived duties on imported equipment. While the Lao government was to receive 2.5% of the value of the ore mined, this was only applied after Oxiana had subtracted the costs of selling, transport, smelting, refining, and other treatment costs (World Rainforest Movement, 2004, p. 86).

According to the Department of Geology and Mineral Resources, as of 2012 there were 290 projects in the country, with 107 prospecting, 125 exploration, and 58 mining projects (Phommakaysone, 2012). There are an estimated 150 mining companies operating in Laos, including companies from China (representing 56.5% of all mining companies), Vietnam, Thailand, Australia, Korea, Canada, Germany, India, Japan, the UK, and Russia (Boungnaphalom, 2010). Such a presence of FDI, states the USGS, is 'largely owing to the Laot government's aggressive efforts to promote mining investment and to strengthen its management and regulation of the mining sector under the framework of the Mining Law of 1997 and the Investment Law' (2008, p. 16.1).

Despite a notable increase in mining investments, the industry, in partnership with the World Bank, quickly started lobbying for a revision of the Mining Law. Of concern in the Laotian case, however, was the failure to meet the clarity requirements expected from a 'modern' regime. In addition to a considerable confusion over terms such as the transfer of mining rights (Article 39) and the expiration of mining licences (Article 34), the provisions for the taxation and duties were seen as a cause for alarm within the investor community.[21] Furthermore, while in practice the country did permit 100% FDI, Article 21 allowed the state to compel foreign investors to accept its participation in their mining venture. For Thompson, this 'introduces a conflict of interest given that it is the government which regulates the sector' (2010, p. 8).

In a World Bank commissioned report, the 1997 Mining Law was seen as positioning Laos at 'a competitive disadvantage compared with its neighbours' (2006, p. 23). The Bank proceeded to argue for a 'timely review' of the country's laws and regulations on mining, thus giving Laos the opportunity 'to become the leader in mining legislation reform in competitive agenda in line with international standards' (World Bank, 2006, pp. 23–26).

Additionally, it is important to recognise that the WBG was also busy assisting the country in a wide range of reforms. Between 2001 and 2004, the Bank's lending to the country averaged US$32 million per year, during which it provided lending for the Agriculture Development and Road Maintenance projects; a Poverty Reduction Fund, a Financial Management Adjustment Credit along with a Financial Management Capacity Building Credit; Sustainable Forestry and Land Titling projects; and Second Education and Second Road Maintenance projects. This lending included a Poverty Report, a Country Economic Memorandum, Banking and Financial Sector Report, Production Forestry Policy, Public Expenditure Review and Country Financial Accountability Assessment, a Poverty and Environment Nexus Report, Economic Monitors, a Country Procurement Assessment Report, a support to both the Interim Poverty Reduction Strategy Papers (PRSP) and full PRSP, as well as a Mining Sector Note (International Development Association [IDA], 2005, p. 16).

The point to be made here is that beyond the direct role that the WBG was playing at the time as a credit provider was its overarching role in the structural reform of the country's liberalisation, whether macroeconomics, banking, agriculture, education, or the judiciary. As such, the Group's influence is reflected in its ability to catalyse risk investments not only in countries such as Laos, but also in the entire donor community. Guttal and Shoemaker (2004) are worth citing:

> All bilateral donors and the [Asian Development Bank] align their respective aid, lending and technical assistance programmes with World Bank-IMF determined development and macroeconomic frameworks. The National Poverty Eradication Programme (NPEP), which will serve as the country's national development plan, faithfully follows the World Bank-IMF template [...]. The policy matrix that is at the heart of the NPEP includes far-ranging reforms in all economic and social sectors, from trade and investment to agriculture, education and health. (p. 2)

In December 2008, Laos adopted a new Mining Law,[22] which was notably the product of the World Bank's Seventh Poverty Reduction Support Program (May 2011–February 2012).[23] In line with the SDM, the Program included the development of complementary regulations which promoted standards and detailed regulations for environmental protection.[24]

The 2008 mining code provides that foreign investors wishing to engage in activities such as the prospecting, exploration, exploitation, or processing of mineral resources have to negotiate an agreement with the government, as the specific terms are not addressed in the new Law.[25] Prospecting licences are granted for an initial 2 years (renewable for an additional year), exploration licences for 3 years (renewable for an additional 2 years), and mining licences for a maximum initial term of 20 years (renewable for up to 5 years, upon approval from the Ministry of Energy and Mines).[26] The new Law grants participation rights to the government, which are to be negotiated between the two parties. In addition to the general tax laws applicable to mining investments, such as the profit tax, income tax, value-added tax, import/export duties, and stamp duties, the specific tax and fiscal provisions, as well as any exemptions, are to be negotiated with the government.

Moreover, perhaps tellingly, the thirst for legal clarity and enticing provisions for foreign investors is now the subject of a Bank Technical Assistance Project.[27] Approved in 2010, the latter aims to develop the country's capacity in the mining and hydropower sectors, with US$2.31 million specifically allocated to the development of the mining sector. The Project is resolutely geared towards enticing FDI:

> Clear laws and regulations for the mining sector, along with internationally competitive taxation, are key to developing the sector. While the Government has made considerable progress in these areas, including adoption of a new Minerals Law in December 2008, the legislative and regulatory framework needs to be completed. (World Bank, n.d.)

It should be noted that along with the World Bank, the IFC—the Bank's private sector arm—has also been assisting the government to 'harness the country's natural resources as a significant driver of economic growth, while ensuring the protection of communities and the environment' (2013). In addition to exploring investment opportunities in hydropower systems, forestry, and agribusiness, the IFC has been providing technical assistance for the new mineral law, the drafting of the country's enterprise law, and the preparation of the new unified investment law (World Bank, 2008, p. 38). The Unified Law on Investment Promotion tackles investment risks by offering 'a clear and predictable' regime and creating 'a level playing field for domestic and foreign investors' (IFC, 2012). The IFC also provided financing to the *Lao Business Forum*, which is, according to the Bank, 'an effective mechanism for enabling the private sector to raise their concerns to [the government of Laos]' (World Bank, 2008, p. 38).[28] The funding notably provided the Forum with a secretariat to support its operations and to revise the Mining Law.

In the following section, the rise of this socio-environmental narrative, which is solidly enshrined within the Laotian new mining regime, is assessed in relation to the overall model promoted by the WBG in the mining sectors of its country client. Particular attention will be given to the SDM's emphasis on local community development and participation, which is to play a key role in each step of the development of mining projects.

By the Book: Community Development and Environmental Protection in Laos

In line with the SDM, Laos's new mining regime has been tightly knitted with a strong social-development narrative. The very development of the mining sector is here expected to be twinned not only to the country's national economic interests but also to the need to protect the environment and ensure community development. Laos' regulatory framework therefore 'incorporates many environmental and social safeguard policy measures consistent with international standards', boasts a World Bank background report (Gibson & Rex, 2010, p. 1). Laos' 2005 Country Assistance Strategy states that the World Bank's assistance to the hydropower, mining, and forestry sectors is to increase resources and capacities to promote environmental conservation, involve local communities in natural resources management, and strengthen the application of social and environmental safeguards in development projects (IDA, 2005, p. 24). The Bank has further been involved in building the government's capacity to 'ensure that mining operations respect the relevant national and international standards with regard to environmental protection and management', and it further funded a review of the country's environmental legislation and practices as they pertain to the mining sector (IDA, 2005,

p. 25). The UN concludes that: ‘In terms of laws and regulations on environmental protection and management, the Lao People’s Democratic Republic is not wanting’ (2010, p. 35).

In addition to the provisions embedded in the new Mining Law, which notably require a feasibility study and an environmental impact assessment (EIA), the country’s legal framework boasts several provisions to ensure environmental protection and sustainable development. Both the Environment Protection Law (1999)[29] and the Regulation on Environmental Protection and Management (2000) are grounded in the concepts of sustainable development and public involvement.

The country’s regulatory framework further ensures that project-affected people are compensated and assisted to improve or maintain livelihoods, incomes, and living standards (Decree 192 and Regulation 2432 and supporting Guidelines for Compensation and Resettlement). Decree 112 on the Regulation for Environmental Impact Assessment (2010) also requires impact assessments and the protection of affected people, including grievance procedures and information disclosure requirements.[30] The legal framework also states that the broader pursuit of economic growth shall be steered by social objectives. The Law on the Promotion of Foreign Investment (2004) promotes foreign investments, which are expected to contribute to improving living conditions and the overall development of the country (Art. 1). Boungnaphalom, the country’s Director of the Environment and Mining Inspection Division (Department of Mines, Ministry of Energy and Mines), notes that today investors have to comply with a framework that assures a balance between mining and socio-economic development activities, as well as natural resources conservation and environmental protection; remedies any negative impacts that occur during mining and after mine closure; and provides community development (2010).

Crucially, in agreement with the SDM, local communities occupy a centre stage within the socio-environmental dimensions of Laos’ new regulatory mining regime. Local actors are indeed positioned to be key beneficiaries of the booming sector, which is to bring employment and infrastructure (roads and electricity) to isolated regions, provide funds for the building of schools and hospitals, and have a long-lasting spillover effect by generating new business for agriculture, livestock farming, and retail trade (Kyophilvong, 2010, p. 76). Ultimately, mining activities are to nurse ‘community development’, which can be defined as:

> [...] the process of increasing the strength and effectiveness of communities, improving peoples’ quality of life, and enabling people to participate in decision making to achieve greater long-term control over their lives. Sustainable community development programs are those that contribute to the long-term strengthening of community viability. (Energy Sector Management Assistance Programme, the World Bank, & International Council on Mining and Metals, 2005, p. 7)

The Bank’s 2010 Technical Assistance Project directly addresses the need ‘to promote models for corporate social responsibility, and risk mitigation and community benefit-sharing approaches’ (World Bank, n.d.). The country’s new Minerals Law requires investors to study and recommend a strategy for the sharing of fiscal benefits related to the mine operation and that they contribute to Community Development Funds, which are allocated a substantial portion of the government’s revenues from mining (UN, 2010, p. 33). These funds are to be designed and administered in close partnership between companies, the government, and communities. The latter are to be closely involved within each phase of a mining project. The basic principles of benefit sharing include the following:

- Participatory planning, gaining public acceptance and community participation;
- Recognising the importance of providing opportunities to improve livelihoods and living standards;

- Recognising affected people as beneficiaries of the project;
- Equitable revenue sharing;
- Environmental protection and development; and
- Sustainable community development. (Gibson & Rex, 2010, p. 14)

If, under the overarching guidance of the World Bank, Laos' unfolding mining regime has been tightly knitted with a strong social-development narrative and participatory mechanisms, the issue of meeting the social, environmental, and economic promises attached to the sudden and fast-paced development of the natural resources sectors raises several questions, as argued in the following section.

The Technocratic Management of Socio-environmental Risks: The Cases of Sepon and NT2

All branches of the WBG have repeatedly stated that it is in light of the particularly heightened risks that mining activities represent for local communities and the environment that they should be involved in the industry. This narrative was closely repeated in Laos, notably for two of the country's largest natural resource projects. The World Bank was involved both in the Minerals and Metals Group Sepon (Sepon) mine and the NT2 hydroelectricity project. Both have repeatedly been cited as 'best practice' cases, especially in terms of their strong participatory requirements and socio-environmental safeguards.

Located in Savannakhet Province, which is in the south-central region of the country, Sepon is an open-pit gold and copper mine.[31] It was also the country's very first large-scale mine.[32] While Oxiana, the owner of the mine at the time, later obtained its own financing, it had initially requested the IFC's involvement in the project—the latter approved a US$30 million loan in February 2002.

There is no doubt that the IFC's involvement contributed to the extensive socio-environmental impact assessments which took place in the initial phase of the project[33] which, like most mining projects, was classified as 'Category A' by the IFC, which means that the project is expected to have adverse impacts that may be sensitive, irreversible, and diverse. In its *Asia and Pacific regional workshop: Testimonials and consultation report*, the EIR (2003a) noted: 'The positive aspects of IFC participation were greater stakeholder participation, formal documentation of the consultation process, a widely-accepted assessment framework (i.e. WBG safeguard policies), expert advice and increased stakeholder confidence in Oxiana' (p. 30). However, there were sizeable disparities between the IFC's socio-environmental narrative and its actual implementation on the ground.

The country's 2004 PRSP states that 'the Government will ensure that development of the mining activities are conducted in an environmentally and socially sustainable manner, while making a significant contribution to economic development at all levels of society' (International Monetary Fund [IMF], 2004, p. 105). The report further states that in this spirit, the government, in partnership with private sector interests, will work with the communities involved to ensure a full understanding of the impacts; a climate of trust and cooperation; guidelines for development and operation of the mine; resettlement and compensation for any loss of assets and earnings; and assistance programmes centred on asset creation and human capital formation, all of which 'principles are being applied to the Oxiana Gold Mine and will apply to all future mining activities' (IMF, 2004, p. 105).

Among the international non-governmental organisation (NGO) critics of the Oxiana mine at the time,[34] Aid Watch observed ‘a serious number of anomalies and shortcomings’ in the application of the Environmental and Social Impact Assessment of the project, adding that: ‘In many cases there has not been sufficient in-depth study and analysis, and mitigation planning often has been superficial, alluding to further studies and further elaboration of details later’ (cited in EIR, 2003a, p. 31).

Furthermore, the participatory process leading to the project, which was advertised as resulting from the presence of the IFC, appears to have been limited to an *information* dissemination process: ‘One limitation of the ESIA [Environmental and Social Impact Assessment] was the consultation process of Oxiana, which mainly consisted of providing information and not having discussions’, concludes the EIR (2003a, p. 31).

Another key example of an existing disparity between the participatory narrative embedded within the SDM and the implementation on the ground is the case of NT2. While the hydroelectricity sector in itself extends beyond the theme of this article, NT2 nonetheless warrants a few words, as it received the World Bank’s endorsement and has today become a best-practice flagship project.[35] Furthermore, the fast-paced development of hydropower has positioned itself as a significant purveyor of government revenues, which are, in fact, projected to eventually surpass the mining industry.[36] According to the UN, investments in this sector alone are expected to raise around US$2 billion in revenues over a 25-year period (2010, p. iii).

NT2’s dam, watershed, and reservoir are located in central Laos, among one of the most biologically diverse forests in the world (Goldman, 2005, p. 194). Strikingly, NT2, which began operations in April 2010, is the country’s largest dam—and the project that has attracted the most foreign investments to date.[37] Built at a cost of US$1.3 billion, it was funded in part by the ADB and the World Bank.[38]

The World Bank has been involved in NT2 since the mid-1980s, when it financed a feasibility study for the project (see Lawrence, 2009, p. 83), and later in several other ways: helping the Lao government to appoint and finance a panel of experts to advise on the handling of social and environmental issues related to the project, providing legal experts to negotiate financing arrangements, and requiring project developers to carry out technical, social, environmental, economic, and resettlement studies that have been instrumental in project preparation (Guttal & Shoemaker, 2004, p. 1). More specifically, the IFC was initially expected to provide loans for Lao government equity project; MIGA investment guarantees; and IDA concessional loans for the macroeconomic assessment and the alternative study. The Bank’s Environment Department was also involved (Hirsch, 2002, p. 162).

AQ8

Crucially, the involvement of the Bank in the project was to ensure that, in addition to local participation by communities and civil society, the dam would be ‘green’. Goldman’s work (2005) is worth citing in this regard:

> Associated with the dam, and reflecting the Bank’s new concern with environmentally sustainable development, is a state-of-the-art suite of linked projects that includes investment for a Forest Conservation and Management Project, Wildlife and Protected Areas Management Project, indigenous peoples’ extractive reserves, irrigated and modernized agriculture with experimental farms, electricity and new roads, megafauna and tree plantations, and new housing settlements. (2005, p. 157)

As it was the case during the initial phase of Sepon, the very presence of the Bank was seen as bringing emphasis on participation and environmental protection. In fact, the 2005 Country Assistance Strategy boasts that NT2 is ‘an example of an area-based, sustainable natural resource development program that contributes to growth, social outcomes, capacity development, and stronger partnerships' (IDA, 2005, p. ii).

However, while the project *did* bring an additional emphasis on public consultation, environmental protection, and disclosure processes (EIR, 2003a, p. 30),[39] the superficiality of the endeavour has been emphasised by critics. In an analysis of the participatory process linked to NT2, Guttal and Shoemaker (2004) observe that the project had actually failed to meet the Bank's own standards, notably with regard to indigenous groups—most of the people to be resettled or affected by the project are part of indigenous communities. The authors further added that: '[...] consent for the project is neither free, nor prior, nor informed' (Guttal & Shoemaker, 2004, p. 3). This resonates with the organisation International Rivers' own conclusions:

> Provisions of the [Concession Agreement] and of World Bank and [Asian Development Bank] policies, particularly regarding resettlement and information disclosure, have been violated. But despite numerous monitoring missions, the [Multilateral Development Banks] have not taken strong enough stances—including withholding loan and grant disbursements—to correct Nam Theun 2's problems and minimize negative impacts on affected people. (Lawrence, 2008, p. 45)

This is an issue that speaks directly to the overarching role of the WBG in strengthening a project's legitimacy on the one hand, and enticing international investors on the other. The Group's involvement indeed has a dual impact: on the legitimacy front, it promises beyond industry socio-environmental standards, while on the investment front, it reassures potential investors in terms of political risk. 'From the start', argues Guttal and Shoemaker, 'it was apparent that the private sector would be unwilling to support a project of this size [NT2] in Laos without the involvement of the World Bank' (2004, p. 1). Lawrence further observes that by 2003:

> Given the size of the investment and the risks of operating in Laos, commercial banks were unlikely to fund the project without guarantees from the World Bank. The potential financiers also primarily relied on the World Bank to lead the economic, social and environmental due diligence for NT2. (2009, p. 85)[40]

A common misunderstanding about the overarching significance of the SDM is linked to the novelties that it actually brings forth. Facets of what I describe as the SDM are always promoted as a complement to the relentless push for the expansion of large-scale mining markets. Framed in such a light, the profound contradictions embedded in the participatory process mandated by the WBG in Laos are understandable.[41] Participation is here also an instrument for the World Bank to justify its own presence in such a controversial project. As Guttal and Shoemaker note:

> As the public participation process unfolded, it soon became apparent that its overall goal was not to foster genuine participation of project affected communities as described in the [World Commission on Dams]'s final Report and Recommendations, but rather to 'jump through the hoops' of appearing to conduct public consultation in order for the World Bank to have sufficient political cover to proceed with the controversial decision to support the project. (2004, p. 3)

The issue of particular importance with the case of Laos is the fact that the country's 'civil society' remains firmly nestled in the arms of a one-party regime built not around open space for political participation and freedom of association, but rather its official mass organisations, such as the Lao Women's Union, the Lao People's Revolutionary Youth Union, the Lao Patriotic Front for Reconstruction, and the Lao Federation of Trade Unions (ADB, 2011, p. 1).

Kunze (2010) observes that in addition to being sparse, civil society organisations lack capacity:

> [. . .] some assessments indicate there are only about 15 to 20 associations capable of operating with any impact, whether they are school-parent associations or farmers associations. Most Lao citizens are unaware that such associations exist at all, much less what role they can or do play.

Crucially, less than a decade ago, Laos simply had 'no political, cultural, historical, or institutional structures' for liberal participatory processes such as those built into the SDM (Guttal & Shoemaker, 2004, p. 3). Countenancing this, Kunze (2010) bluntly concludes that civil society in Laos may be one of the most limited in the world.

While forming an organisation or an association is technically legal,[42] the number of Laotian 'non-governmental' organisations remains particularly small. The government did initiate reforms to facilitate the creation of associational life with the November 2009 implementation of the Decree on Associations. However, no laws currently exist to carry out the constitutional provisions with respect to the establishment of national NGOs and, therefore, there are currently no such organisations recognised by the government (ADB, 2011, p. 2). It should be noted that the government has gradually embraced and encouraged the work of international NGOs in the country. Crucially, this openness to outsiders has remained conditional upon such organisations strictly refraining from political activities. As such, the number of organisations and associations that are genuinely independent and dedicated to human rights or advocacy is seriously limited, if not completely inexistent.

Quite tellingly, the ADB further observes that the government has recently questioned the activities of some international NGOs, specifically their criticism of large foreign investment and infrastructure development projects (2011, p. 2). Yet the Bank remains undeterred. A senior Bank official remains positive, arguing that since 'Laos society is a consensual oriented society', it makes 'political sense' for the government to be genuinely committed to socio-environmental issues, thus 'the substantial institutional reforms that are aimed at trying to better the situation' (World Bank, personal communication, February 16, 2011).

The Bank's 'can do' attitude in Laos is startling, especially in light of its active promotion of the natural resources sectors. In addition to a highly restricted local civil society and an international NGO presence which is expected to remain apolitical, in Laos all media (print, radio, and television) are firmly controlled by the state. Despite a constitutional guarantee of freedom of press, the Lao People's Revolutionary Party keeps a tight control over all print and broadcast news and, as such, press freedom remains highly restricted (Freedom House, 2012).[43] Freedom House (2012) observes that despite the adoption of a new press law in 2008, few changes had been registered:

> Under the criminal code, individuals may be jailed for up to one year for reporting news that 'weakens the state' or importing a publication that is 'contrary to national culture.' Defamation and misinformation are criminal offenses, carrying lengthy prison terms and even the possibility of execution. However, due to high levels of official censorship and self-censorship, legal cases against media personnel are extremely rare. **AQ10**

The Southeast Asian Press Alliance (2013) argues that while foreign investment in the country has successfully boosted the country's GDP, the multiplication of projects has taken place without public transparency and accountability:

> Being state-owned or controlled, they [the media] were prohibited from doing investigative reports on growing problems involving land dispute and the controversial hydropower projects. [. . .] Land disputes, especially those involving foreign investment with the consent of the authorities, is a taboo topic for the media. **AQ11**

AQ12

Setting aside the thorny issue of political space in Laos, the alarming signs which indicate the capacity of the government to monitor, regulate, and implement the socio-environmental dimensions of the new regime are seriously lacking. The UN observes that: 'Environmental governance [...] remains weak. There have been reports of mining companies not conducting effective environmental controls, with no proper environmental mitigation activities and lacking in longer-term rehabilitation and reclamation programme' (2010, p. 35).

Sepon and Phu Bia have both already experienced environmental incidents. In 2009, an acidic water spill killed fish that had migrated into the operation's on-site containment ponds, although no water from these ponds was reported to have been released into the external river system (ICMM, 2011, p. 20). In 2005, Phu Bia experienced a chemical spill in the Nam Mo River (ICMM, 2011, p. 21). Villagers living in the vicinity of the site have reported health issues linked to the spill, as well as dead fish downstream of the river.

In a 2012 survey conducted in two villages (Ban Nammo and Ban Namyone) located in proximity of the Phu Bia gold and copper mine, Marley-Zagar assessed the villagers' attitudes towards mining.[44] While opinions remain polarised, the survey flagged key issues pertaining to health, land ownership, and livelihood. A total of 43.5% of villagers complained of allergies, headaches, diarrhoea, dizziness, heart issues, and tiredness, which they believed were induced by mining activities. In terms of property, 29% of respondents thought mining had degraded their land and 56% felt they were affected by land concessions. Moreover, villagers argued that their household had witnessed a decline in terms of livelihood due to river degradation (67%) and forest degradation (44%) (Marley-Zagar, 2012, pp. 8–9).[45]

Another issue arose from the compensation schemes in place. While 61% of the villagers interviewed had received aid or compensation as a result of the mining activity in their area, 67% of the respondents 'felt that the compensation received was insufficient for their needs'. Furthermore, it appears that compensation was not evenly allocated between the different ethnic groups: while 87% of the Hmong respondents had received compensation, only 27% of Thai Dam tribe had received any aid (Marley-Zagar, 2012, p. 9).

The World Bank office in Vientiane observes that Laos is a low-income country and, when compared to its Asian neighbours, still has little in the way of legal frameworks (World Bank, personal communication, February 16, 2011). The failure to adequately enforce environmental standards echoes concerns in relation to the requirements for the implementation of meaningful social impact assessments (SIAs) to take place. Notably, as early as 2001, this problem was highlighted by a WBG fact-finding mission: 'specific work on SIA regulations and guidelines within the mining sector is at a very preliminary stage' (Boland, Kunanayagam, & Walker, 2001, p. iii). As is the case for the other countries studied in this contribution, Laos appears to overwhelmingly rely on the industry to supply monitoring reports, upon which the social and environmental impacts are assessed (Marley-Zagar, 2012).

Interestingly, a recent World Bank background paper observes that while the laws and regulations in Laos encourage the protection and sustainable use of natural resources, 'some gaps, especially in implementation and enforcement capacity, remain' (2010a, p. 2). The report identifies alarming deficiencies:

- Despite the economic wealth generated by natural resource projects, sustainable financing for environmental protection is still inadequate. Foreign assistance has been the main source of financing for natural resource management so far;
- Overlapping mandates and a lack of coordination among the agencies involved in natural resource use and management and among the central, provincial, and district levels of government;

- Financial, capacity, and human resources constraints in environmental management, planning, and the monitoring of the environmental and social impact assessments have become the binding constraints to implementing existing legislation, as well as to responding to emergency situations;
- The legislation does not specify types of penalties for breaking the law;
- The responsibility for mitigating damage at the local level is not clearly defined and not included in the project design;
- A lack of public access to information on environmental effects and on proposed and ongoing mitigation measures exacerbates the negative impact. (World Bank, 2010a, pp. 2–3)

If a consensus does exist on the part of all donors regarding the urgency of allowing the regulation process to catch up with the fast expansion of the natural resources sector, progress remains slow. The Bank further notes that while the Lao government is keen on developing a solid framework, 'there is a gap between what [it is] intending to implement and what is being implemented on the ground' (personal communication, February 16, 2011).

In addition to the German aid agency, which has recently stepped in with a technical support project to tackle the sustainable development of the mining industry,[46] the IFC is currently assisting the Ministry of Natural Resources and Environment (MONRE) to strengthen key water and hydropower-related laws, policies, and regulations, as well as providing training to government staff in order to ensure 'that authorities have the skills necessary to implement and monitor compliance with new laws and regulations' (2013).

Beyond the technocratic assessment of the government's capacity to implement the socio-environmental safeguards attached to the fast expansion of the natural resources sectors, there does exist a puzzling dislocation between the relentless encouragement on the part of the WBG for Laos to capitalise on its abundance of natural resources while wholeheartedly acknowledging that the government's capacity to monitor, evaluate, and implement the socio-environmental safeguards for Category A projects are not in place. This further resonates with a deep conflict of interest within the current monitoring structure of the Department of Geology and the Department of Mines, the two government agencies that oversee Laos' Mining Law. On the one hand, these government agencies are mandated with having to inspect and monitor mining activities and, on the other, to 'assist in the negotiation of mining contracts and in mineral exploration and mining licensing activities, promote investment in the mining sector, maintain geologic databases, and provide mineral exploration support and data analysis studies' (USGS, 2010, p. 16.1).

The dislocation between the sustainable-development narrative embedded in the government's mining policy and its pursuit of further investments in the sector is also illustrated by the forestry sector. The government is planning to increase the total land area of forest from the current 41.2% to 70% by 2020 (Schönweger, Heinimann, Epprecht, Lu, & Thalongsengchanh, 2012, p. 67). However, the country has actually witnessed deforestation and forest degradation, some of which can be linked to mining activities. In fact, while a substantial area of the country has been labelled as 'forest area' (64% of the country's total land), 29% of this land is currently the object of land investment, of which mining covers 51% (Schönweger et al., 2012, p. 67). However, as observed by Schönweger et al.:

> While regulations and stipulations for the distinct management of each category of forest land is [*sic*] typically expected to determine investment trends in such areas, their enforcement remains inconsistent, leaving room for wide debate around the impacts of large-scale land investments and their potential to undermine national objectives in forest management. (2012, p. 67)

It is to be emphasised that empowered by the country's new Mining Law, potential mining investors have been assailing Laos:[47] 'the number of land deals has skyrocketed in recent years, increasing fifty fold from 2000 to 2009' observe Schönweger et al. (2012, p. 9). In the sector of mining in particular, the authors report 564 currently ongoing projects in the country, constituting 21% of total land projects—approximately half of the total area under investment in Laos (2012, p. 40). In fact, 10% of the total land area of the country has already been granted to investors for development (Schönweger et al., 2012, p. 75).

Ironically, the scale of the current mining rush is now making the Bank voice great caution, warning that the government's capacity has not yet coped with the challenges posed by such rapid expansion. A Bank officer further explains:

> the process through which [Laos exploits its natural resources] and the pace through which it is done is really beginning to have a big influence on the ultimate outcomes. Doing it so quickly, with limited capacity, may mean that the outcomes are not as good as [the Lao government] would like them to be [. . .]. (personal communication, February 16, 2011)

Complementing this perspective, the Bank's *Lao PDR development report: Natural resource management for sustainable development* conveys the institution's uneasiness with the fast pace of the sector's development and the country's lack of capacity, notably with regard to the implementation and enforcement of existing socio-environmental regulations (World Bank, 2010b, p. 1).

Aviva Imhof, the campaign director of the NGO International Rivers, argues that the World Bank is not prioritising capacity: 'if you want to build capacity, start small!' (personal communication, August 2011). Referring to the NT2 experience, which was the very first natural resources project involving the World Bank in the country, Imhof further observes that: 'They began with the biggest project: three provinces, 120,000 people affected; far bigger than the Lao government could handle.' She bluntly concludes: 'It's not a government that lacks capacity, it's a government that doesn't care' (Imhof, personal communication, August 2011).

It is further telling to note that Laos ranked 151 out of 180 countries on the Corruption Perceptions Index of Transparency International (2009).[48] The organisation highlights a distinct increase in the country's corruption index over time, an increase that appears to match the expansion of the natural resources sectors. Crucially, a United Nations Development Programme (2011) paper on illicit financial flows, here defined as flows involving the 'cross-border transfer of the proceeds of corruption, trade in contraband goods, criminal activities and tax evasion', concludes that between 1990 and 2008, Laos would have lost over US$6 billion in such flows.

There nevertheless exists a certain hypocrisy in simultaneously promoting strong socio-environmental standards as well as the active liberalisation of the sector to foreign investors and then suggesting that any failures in the model should be blamed on the lack of a government's capacity. The World Bank's Vientiane office argues: 'We are not engaged in reviewing individual projects, we basically provide the government with the tools and they are supposed to then use these tools' (personal communication, February 16, 2011).

The Bank appears undeterred by the need to develop the country's hydropower, mining, forestry, and agricultural potential, although it now suggests that the process should involve 'world-class sponsors and financial institutions to partner' with such projects, which are being seen as tokens of implementation of 'best practice environmental and social standards' (World Bank, 2012, p. 19).

In fact, despite the multiplication of concerns over the socio-environmental impacts of NT2, the Bank wants to build on the 'success' of the dam project which it believes 'demonstrated the country's ability to adhere to the rigorous environmental and social safeguards demanded by high quality sponsors' (World Bank, 2012, p. 19). Building on such 'success', IFC has been offering new grants and policy assistance—to the tune of US$2.4 million—to the Lao MONRE to support further hydropower development across the country (Boh, 2013).

In June of 2012,[49] Vientiane announced its decision to ban new mining projects (as well as eucalyptus and rubber projects) until 2015 on grounds of environmental and community disruption concerns. As stated by Schönweger et al., the moratorium 'provides an opportunity to reconsider sustainable alternatives to the current pace and approaches of attracting capital through large-scale investment in land, and to examine and address negative impacts accrued already' (2012, p. 77). While welcomed by civil society groups, it appears that the freeze will not extend to the projects that have already been given the green light to conduct economic feasibility studies ('Economist backs', 2012). It is important to add that this is not the first time the government has decided to impose a moratorium. Previously, in May 2007,[50] Vientiane had announced that it would stop granting any new land concession exceeding 100 ha for industrial trees, perennial plants, and mining purposes. The reasons for the decision resonate with today's moratorium: to give the government time to review its policies and to address previous shortcomings in its management. Notably, during the 2007–2009 moratorium, new agreements were nonetheless issued[51] and problematic concessions were unrevoked (Baird, 2008, p. 324).

The fast expansion of the mining sector, in conjunction with other usage of land for export commodities, does bring forth the issue that of the 6 million people living in Laos, 75% are engaged in subsistence agriculture, a sector that also contributes to more than half of the country's annual GDP (Head, 2012). As such, the mining sector has been encroaching on the country's main employment sector while increasingly funnelling its economy towards a problematic enclave sector which now characterises mining. Schönweger et al. conclude that:

> Investment in land, particularly large-scale foreign direct investment, has been championed as an effective development tool by a number of actors. Such a vast expansion of land investment has brought significant transformations in national landscapes. These transformations, in turn, engender drastic socioeconomic and environmental changes, affect food security and traditional livelihoods and could ultimately pose challenges to national sovereignty. (2012, p. 75)

The case of Sepon is illustrative of this point. On its website, the company highlights a 2011 ICMM report which boasts the 'long-lasting and positive impact' of the mine (MMG, 2013). The report, entitled *Utilizing mining and mineral resources to foster the sustainable development of the Lao PDR*, makes the point that in just nine years of operation average incomes at Sepon have increased sevenfold, while in 2010 alone, Sepon has contributed US$412,044 to its Social Development Trust Fund (MMG, 2013). Furthermore, in 2010, the mine employed 2300 people through direct employment, 1600 workers by means of indirect employment, and 9750 others via induced employment, while contributing approximately US$6.5 million for employee training. While these numbers appear substantial, the total number of the people relying on Sepon and Phu Bia combined comprise a little over 1% of the country's total workforce (ICMM, 2011, p. 26). Moreover, the ICMM observes that while the physical footprint of Sepon is expected to expand and take over more of the land currently used by villagers, 'it is probable that employment opportunities will not increase proportionally with the operation's footprint' (2011, p. 30).

Crucially, it is to be emphasised that mining activities are taking place in some of the country's poorest regions. Schönweger et al. estimate that 50% of villages affected by mining activities have a poverty incidence higher than the national average (2012, p. 62).

In such light, the moratorium may offer a much-needed pause for perspective for Vientiane, allowing a reconsideration of the urgent need to diversify its economy away from the simple exploitation of natural resources. As such, the Ministry of Planning and Investment is advocating the development of agribusiness, the mining processing industry, education, health, and tourism, although the low education standards and the largely unskilled workforce remain a challenge ('Economist backs', 2012). The question will be to establish whether Vientiane really intends to resist the contradictory push for the development of its mining resources and its stated policy of diversification. On this note, the development of the massive bauxite reserves in the Bolavens Plateau will be instructive given its location on some of the country's most fertile lands. In prioritising bauxite, the government could compromise not only the touristic activities in the region but also, more importantly, the prime coffee plantations which occupy the plateau. Approximately half of these plantations and the livelihood of its farmers are now threatened by the proposed mining (Marley-Zagar, 2012).

The recent moratorium now taking place in Laos may fall short of challenging the neo-liberal norms embedded in the country's mining regime. Superficial changes in policies which only seek to tame the more extreme forms of deregulation may prove insufficient to address the medium- to long-term consequences of the current race for the country's mineral resources.

Conclusion

Building on the case of Laos, this article has analysed the recent emphasis on socio-environmental safeguards promoted by the WBG and the political underpinning of their implementation. In particular, I have drawn attention to the magnitude of the influence of the World Bank and its promotion of what I describe as the SDM, arguing that the liberal assumptions regarding the role of civil society organisations and safeguard mechanisms in the promotion of mining activities face a challenging environment in the form of Laos' political landscape, characterised by a one-party regime, illiberal approaches to dissenting voices, clear conflicts of interest in regulatory bodies, and institutional capacity deficits.

In light of these clear obstacles to the implementation of the socio-environmental safeguards embedded in Laos' mining regime, the analysis has suggested that the involvement of local communities is actually rooted within a framework which, first and foremost, conceives of participatory schemes as a management tool to circumscribe the risks faced by mining investors. As such, the SDM should not be read as a novel attempt to empower local stakeholders politically. Rather, participatory schemes and civil society engagement here serve to mitigate the negative impact of mining activities on the ground, while also offering a depoliticised path to vent, in a limited sense, local opposition.

Ultimately, this may bring the debate to another level. Rodrik observed that 'every politician knows the clamour for controls and restrictions overcome markets when markets produce outcomes that are not endowed with popular legitimacy' (cited in Ahrens, 2004, p. 11).

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Notes

1. Hereafter, the International Bank for Reconstruction and Development and the International Development Association (IDA) are referred to as 'the World Bank' or 'the Bank'.
2. For a comparative analysis between Laos, the Philippines, and Papua New Guinea, see Hatcher (2012).
3. On the specific roles of the International Financial Corporation (IFC) and MIGA in the industry, notably see Hatcher (2010). AQ2
4. See Hatcher (2004) for an analysis of the Malian mining sector as an example of third-generation mining code implementation.
5. Today, mining is understood to be one of the most environmentally disruptive activities that can be undertaken as business (Bebbington, Hinojosa, Humphreys Bebbington, Burneo, & Warnaars, 2008, p. 893) and the concept of the 'resource curse' is widely acknowledged by all stakeholders in the industry. The term refers to when an abundance of natural resources creates political and economic distortions which increase the likelihood that countries will experience negative development outcomes (Rosser, 2006, p. 7). Also see Auty (1993) and Sachs and Warner (1995).
6. For a thorough analysis of the EIR and the World Bank response, see Campbell (2009).
7. It is to be noted that this greater emphasis on the environmental and social consequences of mining activities is part of a greater shift within the Bank as a whole. While the specifics of the changes carried out within the Bank amidst the Wolfensohn presidency (1995–2005) are beyond the range of this contribution, it should be noted that the period marked an all-encompassing shift within the Bank's narrative. From its austere emphasis on the blind pursuit of economic growth, which characterised the 1980s and the better part of the 1990s, the Bank in the last decade embraced a more 'comprehensive' way of doing business. 'Our dream is a world free of poverty', Wolfensohn declared, and in so doing, he committed the institution, at least discursively, to addressing the social aspects of poverty and to forging closer partnerships with other actors in development, including those within civil society (on the topic, see Hatcher 2006).
8. There exists a rich critical political-economy literature on the topic. See notably Cammack (2003), Carroll (2010), Fine, Lapavitsas, and Pincus (2001), Gill (1995, 2000), and Soederberg (2004). Soederberg (2004) refers to the *New International Financial Architecture*, a class-based strategy that forces the Global South to accede to the neo-liberal rules of free market mobility. Cammack (2003) points towards the 'completion of the world market', while Gill refers to the 'political project of attempting to make transnational liberal, and if possible liberal democratic capitalism, the sole model of future development' (1995, p. 8).
9. Such as the Resettlement and Indigenous Peoples; effective public consultation and disclosure (1998); HIV/AIDS's guide for the Mining Sector (2004); and Sustainability in Emerging Markets (2002). *World Bank OP 4.01 Environmental Assessment* (1999); *World Bank OP 4.12 Involuntary Resettlement* (2002); *World Bank OP 4.10 Indigenous Peoples* (2005); *World Bank OP 4.11 Physical and Cultural Resources* (2006); *IFC Policy on Social and Environment Sustainability* (2006); *IFC Performance Standards on Social and Environmental Sustainability* (2006); *IFC Guidance Notes: Performance Standards on Social and Environmental Sustainability* (2007); *IFC Health, Safety and Environment Guidelines* (General—2007 and Mining—2007). AQ3
10. As stated in the Lao 'National Socio-Economic Development Plan'.
11. As of 2009, only 50% of the country area had been geologically mapped (1/200,000).
12. As of 2009.
13. Lane Xang means 'one million elephants' in Laotian.
14. Sepon was established by Rio Tinto in 1999, and it was then bought by Australia's Oxiana one year later, although Rio Tinto kept a 20% share. Minerals and Metals Group was formed in June 2009—when China Minmetals Non-ferrous Co., Ltd acquired key assets of OZ Minerals. The latter was itself formed in July 2008, when Oxiana merged with Zinifex Ltd. Listed on the Hong Kong Stock Exchange, Minerals and Metals Group Limited is primarily controlled by shareholder China Minmetals Corporation (with 71.72%) and by public shareholders (with the remaining 28.28%). From an operational standpoint, Sepon is run by the Australians since Minerals and Metals Group was created through the purchase of Australia-based OZ Minerals by Minmetals Resources in 2009.
15. Via its subsidiary Pan Mekong Exploration Pty Limited.
16. According to 'Phu Bia Strikes Gold' (2012), the company launched a pre-feasibility study in June 2012 and production could start in late 2015.

17 The project is run by Ord River Resources and China Nonferrous Metal Industry's Foreign Engineering and Construction Company (NFC) (managed by Sino Australian Resources—SARCO).

18 The NEM further allowed for farmers to own land and freely sell crops, for the elimination of almost all government-fixed prices, and for a higher degree of management independence from state-owned enterprises. The latter also lost their monopoly status along with most subsidies (UN, 2010, p. 8). The NEM was expanded throughout the following decade.

19 Law No 04/97/NA on Mining (12 April 1997). Implemented by Decree in 2002.

20 Examples of royalty rates for different minerals: iron 3%; copper 4%; lead 3%; zinc 3%; tin 3%; gold 5%, silver 4%; platinum 5%; sapphire 5%; ruby 5%; emerald 5%; potash 3%; and gypsum 3% (Department of Geology and Mines, 2006). Additional fees apply such as rental fees which range from US$0.5 to US$1 per ha/year for general surveys and exploration, and from US$3 to US$12 per ha/year for preparatory mining (Feasibility and Construction Phase). In terms of import and re-export facilities, foreign investors shall pay an import duty on equipment, means of production, spare parts, and other materials used at a maximum rate 1% of the imported value (Department of Geology and Mines, 2006).

21 For example, the 1997 Mining Law allowed royalty rates to fluctuate between 2% and 5% of sales depending on mineral commodities.

22 The Law was made publically available only in late 2009.

23 Approved in May 2011 (and ended in 2012), the Project (P122847) committed US$10 million.

24 See World Bank, Technical Assistance Project P122847.

25 The terms of the new Mining Law do not retroactively affect licences and agreements that were effective prior to the new Law.

26 There is no automatic right under the Mineral Law, allowing an investor who holds an exploration licence to exploit mineral resources if a commercially viable deposit is discovered in the exploration area.

27 World Bank Technical Assistance Project for Capacity Development in Hydropower and Mining Sector (P109736).

28 For example, the Lao Business Forum held in June 2008 drew nearly 300 participants from business, government, and donor representatives (World Bank, 2008, p. 38).

29 More specifically, the Environmental Protection Law notably requires EIAs and the protection of natural resources, biodiversity, and cultural and historic sites.

30 For further details, see Gibson and Rex (2010, p. 16).

31 As of 30 June 2011, it had the following reserves: 0.7 million tonnes of copper, 0.9 million ounces of silver, and 0.2 million ounces of gold (Minerals and Metals Group [MMG], 2013).

32 It started gold production in January 2003.

33 The EIR observes that:

> In addition to the 5 volume Environmental and Social Impact Analysis, 16 targeted studies were commissioned, a Public Consultation and Disclosure Plan; a Resettlement Action Plan; and a Community/Indigenous Peoples Development Plan were submitted) and meetings were conducted with the government, communities, and NGOs. (2003a, p. 29)

34 On the topic, notably see EIR (2003a) and World Rainforest Movement (2004).

35 The Board of Directors of the World Bank (US$270 million) and the Asian Development Bank (ADB) (US$107 million) approved loans and guarantees for the project in 2005.

36 The majority (95%) of the generated power has so far been earmarked for Thailand, and the remaining 5% for local consumption (USGS, 2012, p. 16.1).

37 For a thorough analysis of the case of NT2, notably see Goldman (2005), Hirsch (2002), and Lawrence (2009).

38 NT2 is owned by Lao Holding State Enterprise (25%), Electricity Generating Public Company Limited (25%), Electricité de France International (35%), and Italian–Thai Development Public Company Limited (15%).

39 There were, after all, over 200 consultations and workshops conducted for the people both in the preparatory work and during the implementation process.

40 NT2 was expected to be financed with a 30% equity from the shareholders and 70% international loans and guarantees from the World Bank, the ADB, the European Investment Bank, the Agence Francaise de Developpement, export credit agencies, and commercial banks (Lawrence, 2009, p. 85).

41 For a thorough analysis of the diverse participatory and assessment processes which took place during the early phase of NT2, see Hirsch (2002).

42 As stated in Article 44 of the country's 1991 Constitution (revised in 2003): 'Lao citizens have the right and freedom of speech, press and assembly, and have the right to set up associations and to stage demonstrations which are not contrary to the laws'.

43 Media personnel are appointed mostly from within the Party and all publications must be approved by the Ministry of Information and Culture (Freedom House, 2012).

44 There were a total of 85 residents interviewed for the survey, with a variety of age groups, genders, occupations, and ethnic groups. Only villagers who had been affected by mining operations were selected for the survey, so that their opinions on the mining industry could be assessed (Marley-Zagar, 2012, p. 8).

45 Other anecdotal incidents were reported such as the one in Palay village (Borikhamaxay province) in 2012, when approximately 100 villagers were reported to have become ill after inhaling the vapours of a chemical spilled from a truck on its way from a mine site in Vientiane Province (Marley-Zagar, 2012). AQ13

46 The five-year project will run in partnership with the Department of Mines, in order to aid capacity building with regard to formulating regulations, supervising, and inspecting mining projects (Marley-Zagar, 2012).

47 See World Bank (2010b).

48 The Index is a measurement tool of perceptions of public sector corruption.

49 Government of Laos, 'Notification PM/13', 6 November 2012.

50 The moratorium was briefly lifted in April 2009 and rapidly reinstated in July of that year.

51 For example, Amanta Resources Ltd would have been granted rights over a concession located in Luang Namtha province, while Shandong Sun Paper Co. Ltd. would have been granted a concession for a eucalyptus plantation in Savannakhet province.

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Pascale Hatcher is Associate Professor at the College of International Relations, Ritsumeikan University (Japan). She has published in leading international journals such as *Journal of Contemporary Asia*, *Revue Tiers Monde*, and the *Canadian Journal of Development Studies*, as well as with leading academic publishers such as Palgrave, Routledge, and L'Harmattan. Her most recent publication, *Regimes of risk: The World Bank and the transformation of mining in Asia* (Palgrave-MacMillan, 2014), investigates the role of the World Bank Group in promoting new mining regimes for resource-rich country clients.